

**Charles County Department of Fiscal  
& Administrative Services  
Standard Operating Policy and Procedure**

<b>Title:</b>	Capital Asset Accounting and Control Procedures (greater than \$5,000)	<b>SOP #:</b>	FAS.2.004
<b>Division:</b>	All Departments & Agencies	<b>Effective Date:</b>	03/29/2011
		<b>Revision Date:</b>	
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<b>Purpose:</b>	<p>The objectives of these capital asset accounting and control procedures include the following:</p> <ul style="list-style-type: none"> <li>A. To define and maintain proper accounting controls over capital assets acquired by the County.</li> <li>B. To assign responsibility for the safekeeping of capital assets to the appropriate managers.</li> <li>C. To establish standard procedures for the recognition in the accounting and capital asset program of acquisitions, disposals, and transfers of capital assets.</li> <li>D. To ensure that all information needed for insurance or warranty purposes is obtained and maintained on a current basis.</li> <li>E. To ensure that proper approvals are obtained and established procedures are followed for transfers or disposals of capital assets.</li> <li>F. To ensure compliance with accounting and reporting requirements as established by generally accepted governmental accounting standards.</li> </ul>		
<b>References:</b>			
<b>Procedure:</b>	<p><b>I. ASSETS TO BE INCLUDED</b></p> <ul style="list-style-type: none"> <li>A. Assets with an expected useful life of 1 year or more and with an original cost of \$5,000 per unit or more shall be recorded in the accounting records and in the Capital Asset Records when they are acquired and/or put into service.</li> </ul>		

**Procedure  
Cont'd:**

1. **Land** – Either the County Attorney's Office or PGM Department shall provide to the Accounting Division the copies of deeds of property purchased with information on cost, condition at acquisition date of any buildings or other improvements located on the land, and expected usage of the property. Land has an indeterminable useful life and is not depreciable.
2. **Land improvements** - This category includes but is not limited to fencing, irrigation systems, landscaping, which effect the value of the property, and which has a reasonably estimable useful life.
3. **Buildings** - Buildings constructed, purchased, or acquired through donation shall be recorded in the accounting records and capital asset records when they are placed in service. Cost information for constructed and purchased buildings is provided by the CIP project files or from land acquisition records.
4. **Building improvements** - This category includes but is not limited to carpet, HVAC systems, new roofs, additions. Cost information shall be obtained from the CIP project accounting files, or from original files.
5. **Infrastructure** - Infrastructure assets are long-lived capital assets that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Examples include but are not limited to roads, bridges, storm drainage, water and sewer systems, pump stations, wells, water towers, etc.
6. **Major Movable Equipment** - This category includes vehicles, off road equipment, certain computer hardware or software, furniture, office equipment, electronic communications systems, or other movable assets with an original cost of \$5,000 or more which have a useful life of three years or more.

- B. Appropriate legal and descriptive records (for example, deeds, maps, and listings)

**II. RESPONSIBILITIES**

- A. Department Head – Ultimately, the Department Head is responsible for the accountability for all assets purchased for his or her department. The department head must therefore ensure that his or



her employees are adequately trained and supervised in asset controls and procedures and adhere to established policies, and that adequate means of communication of information pertaining to asset purchases and disposals are established internally. The Department Head is responsible for signing the "Inventory of Capital Asset" report in the provided form it is to be received for each completion of any physical inventory of assets.

- B. Property Officer- The Property Officer is an employee within a department who is assigned and will work with Accounting to insure all related information is maintained accurately and timely.
- C. Accounting- This division is responsible to assist, educate, and maintain the Capital Asset listing on the computer system. This may include, but is not limited to, a review of expenditure amounts and types, general observations or walk thru of locations and items that fail to meet the definition of a Capital Asset.
- D. Purchasing - Prior to any disposal, all departments should inquire with the Chief of Purchasing about the type of equipment or supplies they intend to dispose of, allowing for the possible re-use within County government and its agencies.

### III. PURCHASES AND DONATIONS OF ASSETS

- A. Purchases, donations, condemnations, confiscations and the sale of land and/or buildings must be reviewed by the County Attorney and approved in detail by the County Commissioners.
- B. The Accounting Division shall be informed by the department heads of ALL donations of capital assets to the County and the estimated fair market value of each donated asset. The information shall be documented on either the **CAPITAL ASSET PURCHASE FORM (EXHIBIT A)** or the **CAPITAL ASSET INFRASTRUCTURE FORM (EXHIBIT B)**. The type of donated items to include on Exhibit A fall under the Major Movable Equipment heading mentioned above such as vehicles. The type of donated items to include on Exhibit B are developer-contributed water and sewer systems, water towers, roads, right of ways, or other land improvements; also, any condemnations or confiscations of capital assets. The Accounting Division shall record these donated capital assets in the accounting records and in the capital asset program at their estimated fair market value at the time of the donation, in accordance with generally accepted accounting principles.

- C. The purchase of all capital assets must be documented by the requisitioning department on the **CAPITAL ASSET PURCHASE FORM**. This form is used to document, for accounting AND insurance purposes, information on the capital asset purchased and, if applicable, information on trade-ins. The requisitioning department shall complete and forward this form to Purchasing at the same time they prepare the on-line or manual requisition for capital outlay purchase. The **CAPITAL ASSET PURCHASE FORM** will then be routed by purchasing to the Inventory Control Coordinator (if the asset is a vehicle or heavy equipment) or directly to accounting. The vehicle shall not be operated until the vehicle is added to the County's insurance policy and vehicle tags are obtained. **Any use or operation of a vehicle or equipment before obtaining vehicle tags and/or before placing the vehicle or equipment on the County's insurance policy is strictly prohibited and shall be reported to the County Administrator or designee.**
- D. Acquisitions of any movable equipment made in conjunction with the erection or renovation of a building or other CIP project shall be reported on the **CAPITAL ASSET PURCHASE FORM** similar to individual purchases of capital assets, as explained in III.C. Above.
- E. Accounting performs the following steps:
1. Matches the form to the original invoice to determine the original cost.
  2. Locates the item and tags it with a numerical, bar coded tag (except vehicles and off-road equipment).
  3. Records the asset in the capital asset program and in the accounting records.
  4. Returns a copy of the **CAPITAL ASSET PURCHASE FORM** to the Department Head to inform them that the asset has been tagged and placed on the capital asset inventory listing for which they are responsible.

#### **IV. TAGGING OF ASSETS**

- A. All major movable equipment, except vehicles and off-road equipment must be tagged with a Charles County Commissioners bar coded asset tag. This includes assets purchased with county or grant funds which are located in the offices of other elected



officials or appointed boards, including the Sheriff, Clerk of the Circuit Court, State's Attorney, elected or appointed judges, Election Board, Liquor Board, other agencies or boards whose capital outlay is funded directly by the County Commissioners of Charles County, i.e. Health Department.

- B. Accounting is responsible for tagging the capital assets with a County Asset identification tag. (Exception: Computer equipment may be tagged by IT staff upon receipt in the IT department, and before the equipment is installed at the destination.)
- C. Vehicles and off-road equipment shall be assigned a unique equipment code by the Inventory Control Coordinator, which is the code used for tracking fuel and maintenance costs.
- D. On-road vehicles and equipment shall be tagged with Local Government license plates (except those specifically authorized by the Commissioner Board, County Administrator and/or Sheriff's Office) and included in the County vehicle insurance policies before being placed in service, as stated in III.C. Above. Sheriff's vehicles shall be tagged and included in the Sheriff's vehicle insurance policies before being placed in service.

#### **V. TRANSFERS OF CAPITAL ASSETS**

The "transferring" department shall complete SECTION 1 of the **CAPITAL ASSET DISPOSAL/TRANSFER FORM (EXHIBIT C)** and forward the form to the Receiving Department/Division. The Receiving Department/Division completes Section 2 of the form and forwards it to the Inventory Control Coordinator (if the asset is a vehicle or heavy equipment) or to Accounting. Accounting will record all asset transfers in the accounting records and in the capital asset program, and will inform the "sending" and "receiving" departments of the changes in their capital asset property listings. Notification will be accomplished via email, inter-office memo upon request.

#### **VI. DISPOSALS OF ASSETS**

- A. Section 203-11 of the Charles County Code of Public Local Laws addresses the policies for disposition of surplus property, which states that "the Purchasing Agent is responsible for the disposition of surplus, obsolete and scrap supplies and equipment". Disposition may be made in any of the following ways:

1. Request vendor to substitute for other material.
2. Return to supplier for credit.
3. Outright sale via advertised bid or auction.
4. Scrapped – with proceeds.
5. Scrapped – without proceeds.
6. Trade-in.
7. Salvage for parts,
8. Donated.
9. Other – must be explained in detail.

B. All agencies shall periodically submit to the Chief of Purchasing a listing of any supplies and equipment which are no longer used or which have become obsolete or worn out. At a minimum, this must be done once a year, hereby designated as March 31<sup>st</sup>, and the departments working papers forwarded to Accounting for retention and audit purposes. This listing should include a full description, and when and where the item(s) can be inspected. The Chief of Purchasing, or his/her designee, will review all lists to determine the possible use of any surplus by another agency. Purchasing will decide and coordinate with the department for the proper disposal method. **No asset, regardless of original or remaining scrap value, may be disposed without the approval of the Chief of Purchasing regarding the method for disposal.**

C. The department/division shall complete Section 1 of the **CAPITAL ASSET DISPOSAL/TRANSFER FORM** for ANY capital asset disposal. This form is then forwarded to the Inventory Control Coordinator (if vehicle or heavy equipment) or directly to Purchasing (if not vehicle or heavy equipment). The actual disposal will be coordinated through Purchasing. After the capital asset is disposed of, Purchasing forwards the form to Accounting for processing. Accounting shall record the disposal of the asset in the accounting records and in the capital asset program, and shall inform the department of the change made to their capital asset property listing as applicable.

D. When capital assets are “traded-in” during the purchase of a new asset, the **CAPITAL ASSET DISPOSAL/TRANSFER FORM** should be used to record the disposal of the old asset at the “trade-in value” and the **CAPITAL ASSET PURCHASE FORM** should be used for the purchase of the new asset at the sale price - not the net price. Please note that “trade-ins” are disposals and the proper authorization must be obtained from Purchasing prior to the transaction.



- E. Capital assets which are lost, stolen or damaged and deemed un-repairable or "totaled" by an insurance company and/or County personnel are to be treated as being disposed and the above procedures should be followed. These items should be coordinated with the Risk Management Accountant for removal from the insurance policy. The Safety Officer must be involved should the event result in employee or civilian injury. A detailed summary report of the event's investigation reviewed and initialed by the Department Head must be attached to the **CAPITAL ASSET DISPOSAL/TRANSFER FORM**.
- F. Capital assets that were originally purchased with any grant funds and subsequently disposed of, must meet the specific grant guidelines in terms of any funds received as a result.

#### **VII. EXCEPTION REPORTS**

Capital asset listings are subject to audit at any time by the Internal Audit Office, the Accounting Division, and External Auditors. Spot checks may be done periodically by any. Exceptions noted (including assets observed which are not tagged, assets on the inventory listing which are not found, assets recorded in the wrong location, etc.) will be reported to the department heads, who shall then submit a resolution report to the Internal Audit Office or the Accounting Division, whichever performed the audit. Violations of procedures or unexplained exceptions shall be reported by memorandum from FAS to the County Commissioners.

#### **VIII. CAPITAL ASSET INVENTORY REPORTS**

Capital Asset Inventory Reports may be obtained upon request from the Accounting Division. In addition, these reports shall be distributed by Accounting annually to all Department heads or as considered necessary.

For the closing of a fiscal year, reports will be distributed as early as July 1 for the previous fiscal year. Ultimately, Assets on all listings are the responsibility of the Department Head, who may designate responsibility to division chiefs or other staff members for segments of the total report. The department head must submit a letter to the Accounting Division stating that the June 30 Capital Asset Inventory Report has been reviewed. Any discrepancies identified in the report, as well as any related supporting documentation, should be provided with the letter.

Authorized:

*Chadwick Zuercher Kelly*

Date: *3/30/11*

# CAPITAL ASSET PURCHASE FORM

cost of \$5,000 or more

## SECTION 1

TO BE COMPLETED BY USING DEPARTMENT AT TIME OF REQUISITION:

ASSET DESCRIPTION:	_____	REQUISITION #:	_____
DEPT/DIVISION:	_____	LOCATION WHERE ASSET WILL BE USED:	_____
ACCOUNT NUMBERS:			
PURCHASE:	_____	(Capital Outlay Account)	
MAINTENANCE:	_____	(if vehicle or equipment)	RESP MGR: _____
FUEL:	_____	(if vehicle or equipment)	ASSIGNED TO: _____
OTHER INFORMATION:	_____		

REVIEWED AND APPROVED BY:

Signature	Date	Title
_____	_____	_____

(Please forward form to PURCHASING with Requisition)

## SECTION 2

TO BE COMPLETED BY PURCHASING:

VENDOR NAME:	_____	P.O. NUMBER:	_____
PURCHASE			
LEASE	(If vehicle or heavy equipment - please forward form to INVENTORY CONTROL COORDINATOR with copy of P.O.)		
(CHECK ONE)	(If NOT vehicle or heavy equipment - please forward form directly to ACCOUNTING)		

## SECTION 3

(if vehicle or heavy equipment)

TO BE COMPLETED BY INVENTORY CONTROL COORDINATOR:

DATE RECEIVED:	_____	SERIAL # or VIN:	_____
MAKE:	_____	MODEL:	_____
YEAR:	_____	INSURANCE CODE:	_____
		LICENSE TAG #:	_____
		UNIT #:	_____
		Inventory Control Coordinator	Date

(Please forward form to ACCOUNTING)

## SECTION 4

TO BE COMPLETED BY ACCOUNTING

HOME ORG:	_____	RESP FUND:	_____	ASSET #:	_____
G -GENERAL	ASSET CLASS:	ASSET TYPE:	COST \$:		
P -PROPRIETARY	_____	_____	_____		
(CIRCLE ONE)					
ASSET LIFE:	REMAINING LIFE:	CAPITALIZATION DATE:			
(MONTHS)	(MONTHS)	_____			

GL DISTRIBUTION:

P	19	.0000	100.00	D	19	9000	100.00-
P	.	0550.000	100.00-	D	.	0425.000	100.00
P	.	0550.000		D	.	0425.000	



## CAPITAL ASSET INFRASTRUCTURE FORM

Property/Road-

[illegible][illegible][illegible]

Description	Quantity	Value
<i>Drain</i>		
	Drain Total	\$

# CAPITAL ASSET DISPOSAL/TRANSFER FORM

## SECTION 1

### TO BE COMPLETED BY DEPARTMENT/DIVISION DISPOSING OF ASSET

ASSET DESCRIPTION: \_\_\_\_\_ ASSET/TAG #: \_\_\_\_\_  
SERIAL # OR VIN #: \_\_\_\_\_ VEH/EQUIP UNIT #: \_\_\_\_\_  
LOCATION: \_\_\_\_\_ MODEL #: \_\_\_\_\_ LICENSE TAG #: \_\_\_\_\_  
DEPT/DIVISION: \_\_\_\_\_ CONDITION OF ASSET: \_\_\_\_\_  
REASON FOR DISPOSAL REQUEST: \_\_\_\_\_  
OTHER INFORMATION: \_\_\_\_\_

### ALL INFORMATION IN THIS SECTION HAS BEEN REVIEWED AND APPROVED BY:

Supervisor	Date	Department Head	Date
(If asset is being TRANSFERRED - forward form to RECEIVING DEPT)			
(If asset is being DISPOSED is vehicle or heavy equipment - forward form to INVENTORY CONTROL COORDINATOR - PF)			
(If asset is being DISPOSED is NOT vehicle or heavy equipment - forward form to PURCHASING)			

## SECTION 2

### IF TRANSFERRED - TO BE COMPLETED BY RECEIVING DEPARTMENT/DIVISION

TRANSFERRED TO: (DEPT/DIVISION) \_\_\_\_\_  
ACCOUNT NUMBERS TO USE IF VEHICLE OR EQUIPMENT: MAINTENANCE: \_\_\_\_\_  
FUEL: \_\_\_\_\_

### ALL INFORMATION IN THIS SECTION HAS BEEN REVIEWED AND APPROVED BY:

Supervisor	Date	Department Head	Date
(If vehicle or heavy equipment - Please forward form to INVENTORY CONTROL COORDINATOR)			
(If NOT vehicle or heavy equipment - Please forward form to ACCOUNTING)			

## SECTION 3

(if vehicle or equipment)

### TO BE COMPLETED BY INVENTORY CONTROL COORDINATOR:

#### IF TRANSFERRED:

NEW VEH/EQUIP UNIT #: \_\_\_\_\_  
NEW LICENSE TAG #: \_\_\_\_\_  
(if applicable)

#### IF TO BE DISPOSED:

(completed by - initials)

Tags/Titles	_____
Usable Equipment Removed	_____
Decals Removed	_____
Insurance Notified	_____
Current Location	_____

Inventory Control Coordinator	Date	Chief of Environmental Resources	Date
(If TRANSFER - please forward form to ACCOUNTING)			
(If DISPOSAL - Please forward form to PURCHASING)			

CONTINUED ON BACK





# CAPITAL ASSET DISPOSAL/TRANSFER FORM

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## SECTION 4

### TO BE COMPLETED BY PURCHASING:

METHOD OF DISPOSAL: ☐ SOLD ☐ SCRAPPED ☐ TRADE-IN ☐ INSURANCE TRANSACTION DATE: \_\_\_\_\_☐ SALVAGED PARTS ☐ DONATED ☐ OTHER ☐ CIRCLE ONE

SALE PROCEEDS: \$ \_\_\_\_\_ TRADE-IN APPLIED TO WHICH ASSET: \_\_\_\_\_

TRANSFERRED TO: \_\_\_\_\_

OTHER INFORMATION: \_\_\_\_\_

CHIEF OF PURCHASING \_\_\_\_\_ DATE \_\_\_\_\_  
(Please forward form to ACCOUNTING)

## SECTION 5

### FOR ACCOUNTING USE ONLY:

#### IF TRANSFER:

NEW HOME ORG: \_\_\_\_\_ NEW RESP FUND: \_\_\_\_\_

G - GENERAL  
P - PROPRIETARY  
(CIRCLE ONE)

#### GL DISTRIBUTION:

P	19	.0000	100.00	D	19	9000	100.00-
P		0550.000	100.00-	D		0425.000	100.00
P		0550.000		D		0425.000	

IF SALE: GAIN/LOSS ACCOUNT: \_\_\_\_\_ 0387.000